ATTACHMENT 12

Page 1

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

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IN RE: DA VINCI SURGICAL ROBOT : Lead Case No.

ANTITRUST LITIGATION : 3:21-cv-03825-VC

----X

Deposition of EINER ELHAUGE

Conducted Remotely

Wednesday, July 24, 2024

10:02 a.m.

Reported by: Matthew Goldstein, RMR, CRR

DIGITAL EVIDENCE GROUP

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Page 2
          Deposition of EINER ELHAUGE, conducted
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     remotely:
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          Pursuant to Notice, before Matthew Goldstein,
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     RMR, CRR, Notary Public in and for the State of
10
     Maryland.
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	Page 3
1	APPEARANCES
2	ON BEHALF OF THE PLAINTIFFS, LARKIN COMMUNITY
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	Page 4
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	Page 5
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1 A P E	Page PEARANCES CONTINUED	6
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11	ALSO PRESENT:	
12	JOSHUA P. DAVIS	
13	JOE CERDA - VIDEOGRAPHER	
14		
15		
16		
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- 1 A. Well, I don't ultimately offer a
- 2 conclusion on that. My conclusion, I quess, is
- 3 the evidence is capable of showing that. And so,
- 4 thus, I model the scenarios in which the
- 5 factfinder would so conclude and show what the
- 6 damages would be and what the effect would be on
- 7 common impact.
- 8 Q. In the but-for world, you conclude that
- 9 service pricing would be at least 12 percent less;
- 10 correct?
- 11 A. Yes.
- 12 Q. In the but-for world, you conclude that
- 13 Intuitive would still have monopoly power in your
- 14 defined relevant market; correct?
- 15 A. Yes. Well, in all three, I guess.
- 16 There's three relevant markets. They have
- 17 monopoly power in all three.
- Q. What three relevant markets are you
- 19 referencing?
- 20 A. The market for MIST surgery robots, the
- 21 market for EndoWrist repair and replacement, and
- 22 the da Vinci service market.

Page 42 In the but-for world, it's your 1 Ο. conclusion that Intuitive would have monopoly 2 power in each of those three relevant markets? 3 Α. 4 Yes. 5 In the but-for world, are you making any Q. conclusions about what rival robotic surgical 6 7 offerings would be available? 8 MR. SNYDER: Objection to form. THE WITNESS: Well, I think it would 9 10 include the same ones that exist in the actual 11 world. 12 BY MS. BASS: 13 In the actual world in the U.S., you 14 note in your report that that included two rival 15 brands for minimally invasive soft tissue surgical 16 robots, the Senhance, S-E-N-H-A-N-C-E, and the 17 Flex; correct? 18 Α. Correct. 19 MR. SNYDER: Objection. 20 BY MS. BASS: 21 So it's your conclusion that the 0. 22 Senhance and the Flex would still be available in

- 1 the but-for world, correct?
- A. Yes, I don't see any reason to think
- 3 they wouldn't be.
- 4 Q. Are you reaching any conclusions
- 5 regarding whether the competitive impact of the
- 6 Senhance on Intuitive would change at all in the
- 7 but-for world?
- 8 A. Can you state that again?
- 9 Q. Sure, I'll restate it. Maybe that will
- 10 help.
- 11 So as part of your class certification
- 12 report, are you offering any conclusions as to
- 13 whether the competitive impact of the Senhance
- 14 would change in the but-for world on Intuitive?
- 15 A. No, I'm not offering a conclusion that
- 16 the competitive impact of Senhance would change in
- 17 the but-for world.
- 18 Q. And, similarly, are you offering a
- 19 conclusion that the competitive impacts on the
- 20 Flex would change in the but-for world on
- 21 Intuitive?
- 22 A. No.

- 1 Q. And in your report, you detail evidence
- 2 that customers found the da Vinci to be far more
- 3 attractive than the Senhance or the Flex; correct?
- 4 MR. SNYDER: Objection.
- 5 THE WITNESS: Say that again.
- 6 BY MS. BASS:
- 7 Q. In your report, you detail evidence that
- 8 customers found the da Vinci to be far more
- 9 attractive than the Senhance or the Flex; correct?
- 10 A. Yes.
- 11 MR. SNYDER: Same objection.
- 12 BY MS. BASS:
- 13 O. You even noted evidence that some
- 14 surgeons had referred to the Senhance as a piece
- 15 of junk; correct?
- 16 A. I recall that as to one of the two.
- 17 Like, sitting here, I can't remember whether it
- 18 was the Flex or the Senhance.
- 19 Q. You conclude in your class certification
- 20 report that these rival robots were missing many
- 21 of the capabilities of the da Vinci robot;
- 22 correct?

- 1 A. Yeah, at least some of them are missing
- 2 some capabilities.
- 3 Q. In the but-for world, are you reaching
- 4 any conclusions as to whether Intuitive would
- 5 behave as a rational economic actor?
- 6 MR. SNYDER: Objection.
- 7 THE WITNESS: I assume that it would
- 8 behave as a rational economic model in the but-for
- 9 world.
- 10 BY MS. BASS:
- 11 Q. In the but-for world -- Mr. Elhauge, in
- 12 your report, you note that the da Vinci is a
- 13 must-have product with 100 percent penetration
- 14 among leading hospitals; correct?
- 15 A. Yes.
- Q. Are you assuming -- well, start over.
- 17 Are you drawing the conclusion that that
- 18 same -- that same conclusion would apply in the
- 19 but-for world; in other words, the da Vinci would
- 20 be a must-have product with 100 percent
- 21 penetration among leading hospitals?
- 22 A. Yes, I think that would continue to be

Page 46 true in the but-for world. 1 In the but-for world, is it your opinion 2 Ο. that M-I-S-Ts, so MIST surgical robots would 3 continue to have powerful, functional advantages 4 5 over traditional surgical technologies? 6 MR. SNYDER: Objection. 7 THE WITNESS: Yes. 8 BY MS. BASS: 9 In the but-for world, do you conclude Q. 10 that hospitals would treat traditional surgical techniques as not able to replace MIST surgery 11 12 robots? 13 I think enough hospitals would view them 14 as not an adequate substitute, that it would continue to be a separate relevant market. 15 16 Q. In your report, you note that MIST 17 surgery robots can attract patients and increase 18 revenues; correct? 19 Α. Yes. 20 The same conclusion would apply in the Q. but-for world; correct? 21 22 Α. Yes.

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1 to speak fast.

- 2 "In his damages analysis, Dr. Smith also
- 3 repeats his baseless claims that (1) if EndoWrist
- 4 repair or da Vinci service prices were reduced in
- 5 the but-for world, Intuitive might have
- 6 compensated by raising its robot prices; and (2)
- 7 that might have responded to the entry of rivals
- 8 into the EndoWrist repair market by raising new
- 9 EndoWrist prices, either which he argues would
- 10 have resulted in 'negative' damages."
- 11 Do you see that?
- 12 A. Yes.
- Q. And that's paragraph 846. And then
- 14 under that there's some subbullets of Sections a
- 15 and b.
- Do you see that?
- 17 A. Yes.
- 18 Q. So for the points that you were just
- 19 making for your belief that Intuitive would not
- 20 have raised the prices on robots in the but-for
- 21 world, it may have reduced the prices, if
- 22 anything, does paragraph 846 and subsections a and

- 1 b, does that summarize your support for your
- 2 conclusion?
- 3 A. It has some of the evidence for my
- 4 conclusion, but I also have a whole section
- 5 explaining why the Single Monopoly Profit Theory
- 6 doesn't apply as a matter of theory. And I have a
- 7 concluding section in paragraph 8 [sic] that
- 8 directly discusses the possibility that robot
- 9 prices might increase, and I explained why that
- 10 would not occur.
- 11 Q. Just to make sure I got that, so in
- 12 your -- you have a portion of your report that
- discusses a Single Monopoly Profit Theory, and
- 14 that's where you discuss these issues as a matter
- of theory; correct?
- 16 A. Yes, I discuss them as a matter of
- 17 theory, at least there, probably in other
- 18 sections, as well. But that's a section dedicated
- 19 to the theoretical question about whether reduce
- 20 prices for a tied product -- and tied products
- 21 here would be offset by increased prices for the
- 22 tying product.

- 1 And I detail the various reasons why
- 2 such a premise wouldn't hold in this case. And
- 3 the deviations there suggest that, if anything,
- 4 robot prices would go down in the but-for world,
- 5 consistent with that empirical evidence that I
- 6 summarized in paragraph 846.
- 7 Q. And I think in your prior answer you may
- 8 have also referenced -- you said paragraph 8, but
- 9 I think perhaps you meant Section VIII?
- 10 A. Yes, I meant Part VIII.
- 11 Q. Apologies, Part VIII; correct?
- 12 A. Yes.
- Q. So let's start by looking at what's in
- 14 paragraph 846a.
- Here it says, "I showed that his" -- and
- 16 you're referring to Dr. Smith.
- I showed that his first claim conflicts
- 18 with his own data, which indicates that:
- 19 (i) when, in response to competitive pressure,
- 20 Intuitive lowered per-use X/Xi EndoWrist prices
- 21 from 2020 to 2021, it did not raise Xi robot
- 22 prices, but rather lowered them.

Page 52 1 Do you see that sentence? 2 Α. Yes. 3 So for this description, my Q. understanding is that you are referencing the 4 5 charts in Dr. Smith's report that you refer to in Footnote 1916; is that correct? 6 7 Yes, that's part of the evidence that 8 I'm citing. 9 So I'm trying to understand what the Q. 10 empirical evidence is that supports each of the points in paragraph 846. So for this point where 11 12 you say in response to competitive pressure, 13 Intuitive lowered per use X/Xi EndoWrist prices from 2020 to 2021, it did not raise Xi robot 14 prices, but rather lowered them. 15 16 Other than Dr. Smith's figures that you 17 cite in the footnote, is there any other empirical 18 evidence that supports that point? 19 MR. SNYDER: Objection. 20 BY MS. BASS: 21 That you're relying upon. Q. 22 Α. Well, whatever is also cited in

- 1 Sections II.C.2.iv and Section VI.B.5. So I --
- 2 and I'm not sure I can remember everything in
- 3 there, but it does include the empirical evidence
- 4 that the extended use program did lower per-use
- 5 prices for EndoWrists from 2020 to 2021, which I
- 6 don't think is disputed between me and the defense
- 7 expert, Dr. Smith.
- 8 Q. But in 846a(i), you're making the point
- 9 that when Intuitive introduced its X/Xi
- 10 extended-use instruments in 2020 to 2021, it did
- 11 not raise Xi robot prices, but rather lowered
- 12 them.
- For the portion of that sentence that
- 14 says it did not raise Xi robot prices, but rather
- 15 lowered them, what are you relying upon?
- A. For that I was relying on Dr. Smith's
- own data, as this paragraph says.
- 18 Q. Moving to the next section, ii, it says,
- 19 When Intuitive was actually faced with increased
- 20 competition from rivals, providing EndoWrist S/Si
- 21 repair from 2018 to 2021, Intuitive reduced real
- 22 prices not only for da Vinci instruments, but also

- 1 was a type of robot and one of the possibilities
- 2 was refurbished.
- 3 But then I point out in Table 20 what
- 4 the actual prices were, and they're all really
- 5 based upon robot type and not based on whether
- 6 it's refurbished or not. And I just found some
- 7 documents that confirmed that refurbished, which
- 8 in the documents they call it recertified robots,
- 9 were being sold at the same prices -- had the same
- 10 service prices, I should say, as the service
- 11 prices for non-refurbished robots.
- Q. Okay. Were there any other documents
- 13 other than those two kind of buckets that you can
- 14 think of that you looked at that may not be cited
- 15 in your report?
- 16 A. No.
- 17 Q. Just to clarify one of your prior
- 18 answers, I asked earlier in the but-for world did
- 19 you believe that Intuitive would have been a
- 20 rational economic actor.
- 21 What's your answer to that question?
- 22 A. Yes. I mean, as an economist, I assume

Page 74 throughout that firms are rational economic 1 actors, both in the actual world and the but-for 2 world. 3 And, also, in terms of your conclusions, 4 so have you reached the conclusion that robot 5 prices would have decreased in the but-for world? 6 7 Yes, I think they would have. None of 8 my analysis depends upon that conclusion, but I conclude at least they wouldn't have increased, 9 10 but that the evidence and the economic theory suggests, if anything, they would have decreased 11 12 somewhat in the but-for world. 13 And for your conclusion that robot 14 prices would have decreased in the but-for world, what evidence do you believe supports that 15 16 conclusion? 17 MR. SNYDER: Objection to form. 18 THE WITNESS: Well, empirically, there's

- 19 all the evidence we already discussed about how,
- 20 in fact, they lowered robot prices when they
- 21 lowered per-use EndoWrist prices, and that cuts in
- 22 prices for EndoWrists and service coincide with

- 1 drops in the robot prices, the fact that they
- 2 couldn't adjust for S/Si robot prices because they
- 3 weren't selling new ones after 2018, and on the
- 4 theory I point out that some of the assumptions
- 5 that don't hold, and thinking those through, those
- 6 would suggest that, if anything, they would lower
- 7 prices in the but-for world.
- 8 And here I'm thinking about the fact
- 9 that one of the assumptions doesn't hold this, we
- 10 don't have a fix amount of tying market power.
- 11 One reason here is that service would be a partial
- 12 substitute for robots, that is the more -- you
- 13 need to buyer fewer robots the more you spend on
- 14 service so that the service prices go down, that
- 15 will tend to suppress robot prices.
- The other thing I point out is that
- 17 there's not a fixed ratio that permits the use of
- 18 ties to engage price discrimination by tying a
- 19 robot to a price inflated EndoWrist or service,
- 20 and that the -- whatever the optimal ratio is for
- 21 price -- price ratio is for that price
- 22 discrimination would indicate that if you lower

- 1 one price, you should lower the robot price, as
- 2 well.
- 3 So I guess a combination of the direct
- 4 empirics on what they did in terms of robot
- 5 pricing, but also the implications of the
- 6 conclusions about why the Single Monopoly Profit
- 7 Theory doesn't hold.
- And I guess the last factor is there's
- 9 no reason to think their market power would go up
- 10 in robots in the but-for world. So they
- 11 wouldn't -- there's no reason to think that they
- 12 would have a higher profit maximizing price.
- Presumably, they're already at their
- 14 profit maximizing price. So there's no real
- 15 factor to advising them to raise that and there
- 16 are factors to decrease it and that's consistent
- 17 with the empirical evidence that we see.
- 18 BY MS. BASS:
- 19 Q. I had a follow-up question for you about
- 20 one thing that you said there.
- 21 When you said that service would be a
- 22 partial substitute for robots, could you please

Page 77 1 expand on that? 2 Α. Sure. So I discuss this in 3 paragraph 680 of my report, where I say that one of the assumptions that's key for the Single 4 5 Monopoly Profit Theory is that the tying market competitiveness is fixed and that if this doesn't 6 7 hold, tying can create additional anticompetitive 8 effects by making the degree of tying market power higher than it would have been without tying. 9 10 And this applies to this case, I say, because servicing da Vincis is a partial 11 substitute for buying new da Vincis, in the sense 12 13 that the more servicing one buys, the less one 14 needs to buy a new da Vinci. And as a result, 15 lowering service prices would predictably mean 16 more servicing, longer lasting da Vincis and thus 17 lower prices for new da Vincis. 18 So the implications of that factor not holding are that the but-for price for robots 19 20 should be somewhat reduced because lower servicing 21 prices would lower the price of a partial 22 substitute.

Page 107 1 Α. Yes. 2 Ο. If you could turn to paragraph 860 of 3 your report. 4 Α. Okay. 5 Q. So here, you say that -- you define the class in paragraph 860, and you say, "with the 6 7 caveat that government entities such as military 8 or veterans' hospitals are excluded." 9 Do you see that? 10 Α. Yes. So was it your intent in your analyses 11 Ο. 12 to exclude military and veterans hospitals from the class? 13 14 That's what -- yeah, that's what -- I Α. don't know if I had my intent, but that's the 15 16 definition that my staff and I use in our 17 analysis. So we did exclude military and veterans 18 hospitals from the customer list when we defined 19 the class. 20 Q. Other than military or veterans hospitals, did you exclude anyone else on the 21 22 basis of this government entity's exclusion in the

- 1 class definition?
- 2 A. No, my understanding from plaintiffs'
- 3 counsel is by "government entities" they meant
- 4 military or veterans hospitals.
- 5 Q. So the -- basically, the plaintiffs'
- 6 counsel instructed you that "government entities"
- 7 meant military or veterans hospitals, and you took
- 8 that instruction and only based your analyses off
- 9 of excluding military and veterans hospitals; is
- 10 that correct?
- 11 A. Yes, I'm relying on their definition of
- 12 the class.
- 13 Q. So earlier we started talking a little
- 14 bit about tied and tying products. So just so
- 15 that the record is clear here, what are the tied
- 16 products in this case?
- 17 A. The tied products are the EndoWrist, the
- 18 market for EndoWrist replacement and repair, and
- 19 the market for da Vinci service are both tied
- 20 markets.
- Q. And what is the tying product here?
- 22 A. The da Vinci product, I guess the tying

- 1 necessarily lower that price. And there's other
- 2 factors that bear here. As I point out, part of
- 3 the tie here is to a partial substitute. And if
- 4 you tie to a partial substitute, then inflate its
- 5 price, you're going to increase pricing on the
- 6 tied product market, not decrease it, for reasons
- 7 that I explain in my report.
- And I think to the extent you're price
- 9 discriminating, if -- in the but-for world, we
- 10 have to take into account that they wouldn't be
- 11 able to inflate the price of EndoWrists. And,
- 12 thus, to maintain the right ratio of prices to
- 13 optimize their price discrimination, that would
- 14 give them incentives to lower the monopoly price
- 15 on the robots rather than increase it in the
- 16 but-for world.
- So for all those reasons, those are all
- 18 the theoretical reasons related to the literature
- 19 that I mentioned. And, of course, there's this
- 20 empirical evidence here that, in fact, they charge
- 21 very high prices for robots, extraordinarily high,
- 22 and that they -- to the extent that there was

Page 132 BY MS. BASS: 1 2 Ο. Okay. So let's take it out of the 3 article then. 4 Just from your perspective, if you have 5 reached the conclusion that a tie has a negative impact on consumer welfare, do you think that that 6 7 conclusion would necessarily answer the question 8 of whether or not the tie had a net economic impact on all of the entities that were subject to 9 10 the tie? 11 MR. SNYDER: Objection. 12 THE WITNESS: I think I need to know 13 more about the hypothetical, but I don't think 14 it -- as I sit here today, I don't think it 15 uniformly follows from the fact that ties can harm 16 consumer welfare, that they necessarily harm all 17 consumers. That alone -- in this case, that 18 effect follows, but in the abstract, I think maybe 19 one could imagine scenarios where some consumers 20 wouldn't be harmed even though consumers overall 21 are harmed. 22

- 1 increase the robot price, not decrease it. And
- 2 that's what we see with the evidence. It's
- 3 consistent with the evidence. We have higher
- 4 robot prices with the restraints, not lower robot
- 5 prices.
- 6 Q. And when you were just talking about
- 7 the -- that's your five-factor test; right?
- 8 That's your view here, that based off of that
- 9 test, that there wouldn't be any adjustment on
- 10 robot prices; is that right?
- 11 A. The five factors are ones that disprove
- 12 the Single Monopoly Profit Theory that there
- 13 necessarily would be an adjustment on robot
- 14 prices, that is, would make it lower in response
- 15 to a higher tied product price. So that's wrong.
- But I don't show that there's no
- 17 adjustment in robot prices. Instead, what I show
- is the robot prices would be lower in the but-for
- 19 world without the restraints; that is, that the
- 20 restraints are inflating not only EndoWrists
- 21 prices and service prices, but also inflating
- 22 robot prices.

- 1 Q. I know we covered this today, but what's
- 2 your basis for saying that robot prices are
- 3 inflated with the tie?
- 4 A. Well, there's all the empirical evidence
- 5 that we have, that when they -- with the tie, when
- 6 they lowered the per-use price for EndoWrists,
- 7 they actually lowered the robot price. There's
- 8 the fact that during the period of the alleged
- 9 anticompetitive restraints, they were, in fact,
- 10 lowering robot prices when they lowered EndoWrist
- 11 and service prices rather than raising the robot
- 12 prices.
- There's a fact that the tying product
- 14 is, you know, for the S/Si repairs is S/Si robots,
- and they're not selling them anymore. So they
- 16 can't really adjust by -- offset any price by
- 17 raising the robot -- by lowering the robot prices
- 18 in those cases.
- There's the economic theory that
- 20 indicates that there's partial substitutes, which
- 21 would mean that without the challenged restraints,
- 22 we would expect the robot prices to be lower. And

Page 142 there's the fact that we're increasing -- sorry, 1 the market power in the tied market, which would 2 3 make this particular metering model inapplicable. 4 So are you aware of any economic literature about metering ties in which the 5 6 monopolist isn't described as lowering the price 7 of the capital good in order to extract a higher 8 price on the tied products or the consumables? 9 Could you point us to that academic 10 literature? 11 MR. SNYDER: Objection to form. 12 THE WITNESS: I don't know -- I mean, 13 there might be -- sometimes it is the case that 14 they lower the price, but I don't know of any 15 literature that indicates that that's universally 16 what happens. There may be people who think that 17 happens a lot, but I don't think anything in the 18 economic proofs proves that that happens,

- 19 especially when you consider all the other
- 20 anticompetitive effects of tying.
- 21 MS. BASS: We've been going about an
- 22 hour. Would it be okay to take a break?

Page 143 1 THE WITNESS: Sure. 2 MR. SNYDER: Sure. We can go off the 3 record. 4 THE VIDEOGRAPHER: Okay. Team, stand by. We are now going off the record. The time is 5 6 1:57 p.m. 7 (Recess from the record.) 8 THE VIDEOGRAPHER: We are now going back on the video record. The time is 2:18 p.m. 9 10 BY MS. BASS: So, Professor Elhauge, returning to the 11 Ο. 12 questions that we were just discussing before the 13 break. So I know that you don't agree that 14 Intuitive would have had to lower the price of its 15 robots in order to engage in metering, but assume 16 that contrary to your opinion, Intuitive did lower 17 its prices of robots to engage in metering and, 18 therefore, robot prices would have been higher in 19 the but-for world. 20 Have you done any analysis to show what the net effect would be in the but-for world on 21 22 hospitals that were less-intensive users, taking

Page 144 into account the higher prices for robots and the 1 lower prices for EndoWrist? 2 3 MR. SNYDER: Objection to form. 4 THE WITNESS: I did not base my analysis on the premise that they would raise robot prices 5 in a but-for world. So I didn't weigh those 6 against each other. But, also, I think implicit 7 8 in your question was that prohibiting the challenge restraints would prohibit all metering 9 10 in the but-for world. I don't think that follows, because it 11 12 would still have power over new EndoWrists. So it 13 would reduce their market power in the EndoWrist 14 repair market, but it would not eliminate it or eliminate the price inflation. Because they still 15 16 make the only EndoWrists that can work with the 17 da Vinci robot. I don't think that premise quite 18 holds either. 19 BY MS. BASS: 20 So just to break that down a little bit, Q. so I think you were agreeing that you haven't 21 22 conducted an analysis of what the net effect would

Page 145 be in the but-for world if the robot prices would 1 2 be higher; correct? 3 MR. SNYDER: Objection to form. THE WITNESS: Correct, because that's 4 not what the evidence indicates. Robot prices 5 6 would not have been higher in the but-for world, 7 so there's no trade-off to make. 8 BY MS. BASS: Correct. I understand you don't accept 9 Q. 10 the premise of the question, but that's not an analysis that you've undertaken; correct? 11 12 Correct. Because the analysis I Α. 13 concluded would be irrelevant in this case. 14 So then to go back to the point that you Q. 15 were making about the new EndoWrists, so were you 16 saying that there would be metering in the but-for 17 world? 18 I think there could be metering in the but-for world, as well, because it would still 19 20 have price-inflated new EndoWrists. It would be constrained, though, by rival repair competition. 21 22 But to the extent there's metering now,

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Page 159
 1
     STATE OF MARYLAND
 2
                           SS:
 3
     COUNTY OF MONTGOMERY
 4
 5
               I, Matthew Goldstein, Notary Public within
     and for the State of Maryland, do hereby certify:
 6
 7
               That I reported the proceedings in the
 8
     within entitled matter, and that the within
 9
     transcript is a true record of said proceedings.
10
               I further certify that I am not related to
     any of the parties to the action by blood or
11
12
     marriage, and that I am in no way interested in the
13
     outcome of this matter.
14
               IN WITNESS WHEREOF, I have hereunto set my
     hand this 27th day of July, 2024.
15
16
17
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21
                         Matthew Goldstein, RMR, CRR
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